

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

ASUSTEK COMPUTER INC. and ASUS  
COMPUTER INTERNATIONAL, INC.,

Plaintiffs,

v.

ROUND ROCK RESEARCH, LLC,  
AMERICAN MEGATRENDS INC., and  
SAMSUNG ELECTRONICS COMPANY,  
LTD.,

Defendants.

No. C 11-6636 CW

ORDER GRANTING  
DEFENDANT ROUND  
ROCK'S MOTION FOR  
STAY AND  
SCHEDULING CASE  
MANAGEMENT  
CONFERENCE

Plaintiffs ASUS Computer International, Inc. (ASUS California) and ASUSTeK Computer International, Inc. (ASUSTeK Taiwan) (together, ASUS) have filed a complaint seeking declaratory judgment of patent non-infringement and invalidity against Defendant Round Rock Research, LLC and indemnification against Defendants American Megatrends, Inc. and Samsung Electronics Company, Inc.<sup>1</sup> Defendant Round Rock moves to dismiss the ASUS Plaintiffs' complaint under Federal Rule of Civil Procedure 12(b)(2) for lack of personal jurisdiction. Round Rock

<sup>1</sup> The ASUS Plaintiffs dismissed their claims against Defendant American Megatrends, Inc. on April 25, 2012. Defendant Samsung Electronics Company, Inc. has not joined in this motion.

1 also moves to dismiss under the first-to-file rule and for a  
2 transfer of venue to the District of Delaware or for a stay of  
3 this action pending a venue decision from the Delaware district  
4 court. The ASUS Plaintiffs oppose the motions. The motions were  
5 taken under submission and decided on the papers. Having  
6 considered all the papers filed by the parties, the Court grants  
7 the motion to stay the claims against Round Rock based on the  
8 first-to-file rule and denies as moot the motion to dismiss or  
9 transfer. The Court also stays its ruling on the motion to  
10 dismiss for lack of personal jurisdiction, which will be addressed  
11 if this case is not transferred to the District of Delaware. The  
12 Court will allow limited jurisdictional discovery while this case  
13 is otherwise stayed.

#### 14 BACKGROUND

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16 Plaintiff ASUSTeK Taiwan is a company organized and existing  
17 under the laws of Taiwan, Republic of China, with its principal  
18 place of business in Taiwan. Plaintiff ASUS California, a wholly-  
19 owned subsidiary of ASUSTeK Taiwan, is a California corporation  
20 with its principal place of business in Fremont, California. The  
21 ASUS Plaintiffs sell a variety of consumer electronics products in  
22 the United States, including desktop computers, notebook  
23 computers, tablet PCs, LCD monitors and cell phones.

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25 Round Rock is a Delaware limited liability company with its  
26 principal place of business in Mount Kisco, New York. Round Rock  
27 has a portfolio of over four thousand patents and pending patent  
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1 applications which it acquired from Micron Technology in 2009.  
2 Round Rock licenses its portfolio of patents to many of the  
3 leading technology companies in the world.

4 On March 30, 2011, Round Rock sent the ASUS Plaintiffs a  
5 demand letter addressed to ASUS California at its Fremont address  
6 and ASUSTeK Taiwan at its Taipei address, concerning their alleged  
7 unauthorized use of Round Rock's patented technology, and offered  
8 to arrange a meeting to discuss the patents and licensing terms.  
9 The letter explained that Round Rock would allow the ASUS  
10 Plaintiffs to continue their use of these patents through a  
11 license from Round Rock. The matter would be handled by Paul  
12 Riley of IP Value Management (IP Value), Round Rock's agent to  
13 commercialize its patents and other intellectual property rights  
14 world-wide. IP Value's responsibilities include negotiating  
15 licenses for Round Rock's patents. One of IP Value's two offices  
16 is located in Mountain View, California.

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19 On April 14, 2011, Mr. Riley contacted the ASUS Plaintiffs by  
20 sending letters to ASUS California at its Fremont office and  
21 AUSTeK Taiwan at its Taipei office, in which he affirmed that IP  
22 Value was appointed by Round Rock as its agent to license Round  
23 Rock patents and asked to schedule a meeting with the ASUS  
24 Plaintiffs to discuss the patents, either in California, Taiwan,  
25 or any location that was convenient for them. On June 9, 2011,  
26 Gerard deBlasi, Vice President of Licensing for Round Rock, and  
27 Mr. Riley met with ASUSTeK Taiwan at ASUSTeK's headquarters in  
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1 Taipei, Taiwan. Subsequently, Round Rock sent additional letters  
2 and exemplary claim charts to ASUSTeK executives in Taiwan. In  
3 September 2011, Messrs. deBlasi and Riley again travelled to  
4 Taiwan to continue discussions with ASUSTeK Taiwan. No  
5 representative from Round Rock ever visited ASUS California's  
6 headquarters in Fremont, California.

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8 On October 14, 2011, Round Rock filed a complaint against  
9 ASUS California and ASUSTeK Taiwan in the District of Delaware,  
10 alleging infringement of nine patents-in-suit. The Delaware suit  
11 concerns exactly the same patents that are the subject of this  
12 declaratory judgment action. Three related actions in the  
13 Delaware court that assert the same patents against similar  
14 computers made by other personal computer and consumer technology  
15 companies are pending before the same district court judge. On  
16 October 17, 2011, Round Rock served its complaint on ASUS  
17 California in Fremont, California. On December 23, 2011, the ASUS  
18 Plaintiffs, as defendants in the Delaware action, filed there a  
19 motion to dismiss for lack of personal jurisdiction and for  
20 transfer, arguing that ASUSTeK Taiwan has no connections to  
21 Delaware and ASUS California has not sold in Delaware the products  
22 accused of infringing at least two of the patents-in-suit.  
23 According to the parties' joint case management statement in this  
24 case, the Delaware court denied the motion to dismiss pending  
25 jurisdictional discovery and stayed resolution of the ASUS  
26 entities' motion to transfer. On December 23, 2011, the ASUS  
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1 Plaintiffs filed this action in this district seeking declaratory  
2 judgment of patent non-infringement and invalidity against Round  
3 Rock and seeking indemnity from two of its suppliers who it claims  
4 are contractually obliged to defend ASUS from infringement  
5 claims.<sup>2</sup>

#### 6 DISCUSSION

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8 Round Rock argues that the first-to-file rule warrants a  
9 dismissal or stay of this action because it filed the Delaware  
10 suit before the ASUS Plaintiffs filed this action here, and the  
11 parties and issues in both cases are identical. In the  
12 alternative, Round Rock requests that this action be transferred  
13 to Delaware, pursuant to 28 U.S.C. § 1404(a). The ASUS Plaintiffs  
14 argue that two exceptions to the first-to-file rule apply and,  
15 thus, this case should proceed in this district.

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17 "There is a generally recognized doctrine of federal comity  
18 which permits a district court to decline jurisdiction over an  
19 action when a complaint involving the same parties and issues has  
20 already been filed in another district." Pacesetter Systems, Inc.  
21 v. Medtronic, Inc., 678 F.2d 93, 94-95 (9th Cir. 1982). This  
22 doctrine, known as the first-to-file rule, "gives priority, for  
23 purposes of choosing among possible venues when parallel  
24 litigation has been instituted in separate courts, to the party  
25 who first establishes jurisdiction." Northwest Airlines, Inc. v.  
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27 <sup>2</sup> As noted above, the ASUS Plaintiffs have dismissed their  
28 claims against American Megatrends.

1 American Airlines, Inc., 989 F.2d 1002, 1006 (8th Cir. 1993). In  
2 applying the first-to-file rule, a court looks to three threshold  
3 factors: "(1) the chronology of the two actions; (2) the  
4 similarity of the parties, and (3) the similarity of the issues."  
5 Z-Line Designs, Inc. v. Bell'O Int'l LLC, 218 F.R.D. 663, 665  
6 (N.D. Cal. 2003).

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8 The first-to-file rule "serves the purpose of promoting  
9 efficiency well and should not be disregarded lightly." Church of  
10 Scientology of California v. United States Dep't of Army, 611 F.2d  
11 738, 750 (9th Cir. 1979). The rule favors the forum of the first-  
12 filed case "unless consideration of judicial and litigant economy,  
13 and the just and effective disposition of disputes, requires  
14 otherwise." Electronics for Imaging, Inc. v. Coyle, 394 F.3d  
15 1341, 1347 (Fed. Cir. 2005).

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17 Although exceptions are not rare, "there must be sound reason  
18 that would make it unjust or inefficient to continue the first-  
19 filed action." Id. "Circumstances under which an exception to  
20 the first-to-file rule typically will be made include bad faith,  
21 anticipatory suit and forum shopping." Alltrade, Inc. v. Uniweld  
22 Products, Inc., 946 F.2d 622, 628 (9th Cir. 1991). Another  
23 exception to the first-to-file rule may apply when "the balance of  
24 convenience weighs in favor of the later-filed action." Ward v.  
25 Follett Corp., 158 F.R.D. 645, 648 (N.D. Cal. 1994). This is  
26 analogous to the "convenience of parties and witnesses" factor  
27 considered in a transfer of venue motion pursuant to 28 U.S.C.

1 § 1404(a). Med-Tec Iowa, Inc. v. Nomos Corp., 76 F. Supp. 2d 962,  
2 970 (N.D. Iowa 1999); 800-Flowers, Inc. v. Intercontinental  
3 Florist, Inc., 860 F. Supp. 128, 133 (S.D.N.Y. 1994). The court  
4 in which a second suit was filed may transfer, stay or dismiss the  
5 proceeding in order to allow the court in which the first suit was  
6 filed to decide whether to try the case. Alltrade, 946 F.2d at  
7 623. The court with the first-filed action should normally  
8 determine whether an exception to the first-to-file rule applies.  
9 Intuitive Surgical, Inc. v. Calif. Inst. of Tech., 2007 WL  
10 1150787, at \*2-3 (N.D. Cal.)

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12 It is undisputed that Round Rock filed the Delaware  
13 infringement action before the ASUS Plaintiffs filed their  
14 declaratory relief action in this district. It is also undisputed  
15 that the Delaware action and this action involve the same parties  
16 and the same subject matter, i.e., the same patents-in-suit.  
17 Furthermore, the ASUS Plaintiffs do not argue that Round Rock  
18 filed the Delaware action in bad faith, as an anticipatory action  
19 or for the purpose of forum shopping. Thus, the first-to-file  
20 rule applies.  
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22 The ASUS Plaintiffs argue that this case should be excepted  
23 from the first-to-file rule because the convenience of the parties  
24 favors keeping the action in this district. However, the court in  
25 the first-filed action should decide whether there is an exception  
26 to the first-to-file rule based on the convenience factors. See  
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1 Intuitive Surgical, 2007 WL 1150787, at \*3 (deferring to district  
2 with first-filed action to decide the appropriate forum).

3       The ASUS Plaintiffs also argue that this case falls under yet  
4 another exception, the customer-suit exception. This exception to  
5 the first-to-file rule developed in patent cases where the earlier  
6 action is against a "mere customer" and the "later suit is a  
7 declaratory judgment action brought by the manufacturer of the  
8 accused devices." Codex Corp. v. Milgo Electronic Corp., 553 F.2d  
9 735, 737 (1st Cir. 1977). Under the customer-suit exception, the  
10 manufacturer's suit is preferred over the first-filed suit against  
11 the customer. The rationale for the customer-suit exception is  
12 that the manufacturer is the true defendant in the customer suit.  
13 Id.

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15       The ASUS Plaintiffs argue that they are merely customers and  
16 the real-parties-in-interest are the manufacturers who supply them  
17 with components. These manufacturers include Samsung and American  
18 Megatrends, whom the ASUS Plaintiffs have named as Defendants in  
19 this lawsuit. The ASUS Plaintiffs argue that, by contract,  
20 California is the only forum that can order the manufacturers to  
21 defend them and, thus, they can only sue the manufacturers for  
22 indemnification in California. The ASUS Plaintiffs argue that,  
23 instead of transferring this case to Delaware, the Court should  
24 retain this case and enjoin Round Rock from proceeding with its  
25 case against the ASUS entities in Delaware.  
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The ASUS Plaintiffs also argue that it makes little sense for the Delaware litigation to proceed because ASUSTeK Taiwan is not subject to personal jurisdiction there and ASUS California is not subject to personal jurisdiction there with regard to at least two of the patents at issue. However, the issue of personal jurisdiction over the ASUS entities in Delaware is not before this Court; it is before the Delaware court.

For the foregoing reasons, the Court grants Round Rock's motion to stay this action against it, except as stated below, and denies without prejudice its motion to dismiss or transfer, pending the Delaware court's ruling on the ASUS entities' motions

1 to dismiss for lack of personal jurisdiction and to transfer that  
2 case to this Court. The Court stays its ruling on Round Rock's  
3 motion to dismiss this case for lack of personal jurisdiction, but  
4 allows limited discovery on personal jurisdiction to proceed. If  
5 the Delaware court denies the ASUS entities' motion to transfer  
6 and retains jurisdiction over the case there, Round Rock shall  
7 notify this Court, which will transfer this case to Delaware. If  
8 the Delaware case is transferred to this district, the parties  
9 shall file a notice of related cases and this Court will relate  
10 and consolidate the cases. Round Rock's motion to dismiss for  
11 lack of personal jurisdiction will be addressed at that time.

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13 A case management conference is scheduled for September 20,  
14 2012 at 2:00 pm.

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17 IT IS SO ORDERED.

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19 Dated: 6/5/2012

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CLAUDIA WILKEN  
United States District Judge